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Welcome to the Federal Housing Administration Appraiser Roster Newsletter. We hope you will find it informative. With over 52,000 approved appraisers, the FHA Appraiser Roster enables FHA lenders to select qualified and knowledgeable appraisers in these challenging times. This newsletter will allow appraisers and industry partners to see how topical issues will affect their FHA business as well as focus on fundamentals of FHA requirements.

Dodd-Frank Wall Street Reform and Consumer Protection Act

As most appraisers are aware, the Dodd-Frank Bill, signed into law on July 21, 2010, requires lenders to pay “reasonable and customary” fees for appraisal services. The Bill states that reasonable and customary fees may be based on third party sources such as government fee schedules, academic studies and independent surveys. Appraisers seeking more information

about reasonable and customary fees as well as appraiser independence can read the Interim Final Rule, which will be published in the Federal Register for public comment, by the Federal Reserve Board. The Interim Rule is available at <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20101018a1.pdf>. The Appraisal Institute, in a report dated 10/5/2010 and available from their web site,

analyzed VA appraisal fees in terms of meeting the “reasonable and customary fee” test. FHA expects that lenders will comply with the Dodd-Frank Bill and reminds readers that it has already implemented a policy that appraisers be paid reasonable and customary fees. (See Mortgagee Letter 2009-28 at <http://www.hud.gov/offices/adm/hudclips/index.cfm>).

FHA Spotlight – Primary Elements of Minimum Property Requirements (MPR)

Over the years, the meaning and importance of the three primary elements of MPR have become confused by the reference to safe, sound and secure. However, the primary elements of minimum property requirements for FHA eligible properties are correctly referred to as, *safety*, *soundness* and *security*. The three S’s of property eligibility, as they are often referred, are important for appraisers to keep in mind when performing property inspections. Often the

three elements relate to and impact one another.

Safety refers to the health, habitability and sanitary condition of a property. Systems within the dwelling contribute to the safety of the home. Deficiencies or a lack of functioning components of plumbing, electrical or heating and cooling systems may create hazards that could be considered health and safety issues. Safety hazards can also be the result of issues having to do with the soundness of

a property or simply a missing handrail or other hazards affecting the health and well-being of the occupants.

Soundness relates to the structure and structural components of the dwelling. They include not only the foundation but also other elements such as floor, wall and roof framing systems. Decks, porches and patios may also pose structural issues

"Security is the MPR element that creates the most confusion among appraisers."

FHA Spotlight – Primary Elements of MPR, cont.

due to improper construction or deteriorated condition. Site conditions may also impact soundness.

Security is the MPR element that creates the most confusion among appraisers. The misused mantra, safe, sound and secure has contributed to the notion that secure means that the property is sheltered from weather and/or protected from

intrusion, etc. However, security refers to risk to the Insurance Fund in terms of a property's ability to serve as collateral for the FHA-insured loan.

Marketability is one of the things to be considered under the element of security. Marketability issues can include deficiencies related to the other two MPR elements having an impact on value or marketability. External

influences may also impact the ability of the property to serve as collateral for FHA-insured financing.

Appraisers must be diligent in considering these three important elements of FHA's MPRs during the inspection and appraisal process and be sure to condition the appraisal appropriately when deficiencies exist.

Findings from an actual FHA appraisal review

As FHA Roster appraisers know (see Mortgagee Letter 2009-41 at <http://www.hud.gov/offices/adm/hudclips/letters/mortgagee/2009ml.cfm>), FHA reviews appraisals performed by roster appraisers to ensure credibility, accuracy and compliance with FHA standards and appraisal reporting requirements. In review of FHA Case No. xxx-xxxxxxx, comparable No. 1 sold for \$3,500 over

the list price, which the appraiser failed to report and analyze. According to the listing agent, the increase in sales price was due to seller paid concessions added to the contract price. The appraiser failed to disclose the concessions, research and analyze market reaction to the concessions and comment as to the lack of an adjustment for financing concessions to

the comparable sale.

Mortgagee Letter 2005-02 requires appraisers to make market-based adjustments to the comparable sales for any concession that affected the sale price.

The review findings resulted in the FHA sanctioning the roster appraiser with Education.



Keeping your Roster appraiser info up to date

If your contact information has changed, FHA Roster appraisers must visit the FHA Roster Appraiser web page at

<http://www.hud.gov/appraisers> and click on

Appraiser, then the

“Update your information.

You will be able to update your contact information in FHA Connection to ensure your appraisal credentials

are current. Failure to

keep your information

updated may result in a

loss of appraisal

assignments. FHA is

dependent upon current

contact information and

relies upon

appraisers to keep their information current. FHA

reminds appraisers that

FNMA/Freddie Mac

Appraisal reporting forms

require appraisers to input

current contact information

when completing an

appraisal report. Inputs

such as “address and

telephone number on file”

are not acceptable. A

current address (both

mailing and email) and a

current telephone number

are required. FHA may

issue Notice of Deficiency

actions against Roster

appraisers who fail to

comply.

While you are visiting the

FHA Roster Appraiser web

page be sure to check out

new policy

announcements and

clarifications (FAQs).

Get Answers from FHA

Sometimes appraisers are stumped and looking for

answers as to how to

handle an issue. Get

answers to your questions

from FHA’s Knowledge

Base at

www.fhaoutreach.gov/FH

[AFAQ](http://www.fhaoutreach.gov/FH)

There are over 1,300

FAQs in the Knowledge

Base, and you can search

by category or keyword.

Appraisers can also get

valuable information from

the FHA Resource Center

Bulletin Board.

For questions, send an

email to

info@fhaoutreach.com.

Be sure to include your

contact information.

If you need help with the

FHA Appraiser Roster,

send your questions or

issue to

AppraiserRoster@hud.gov

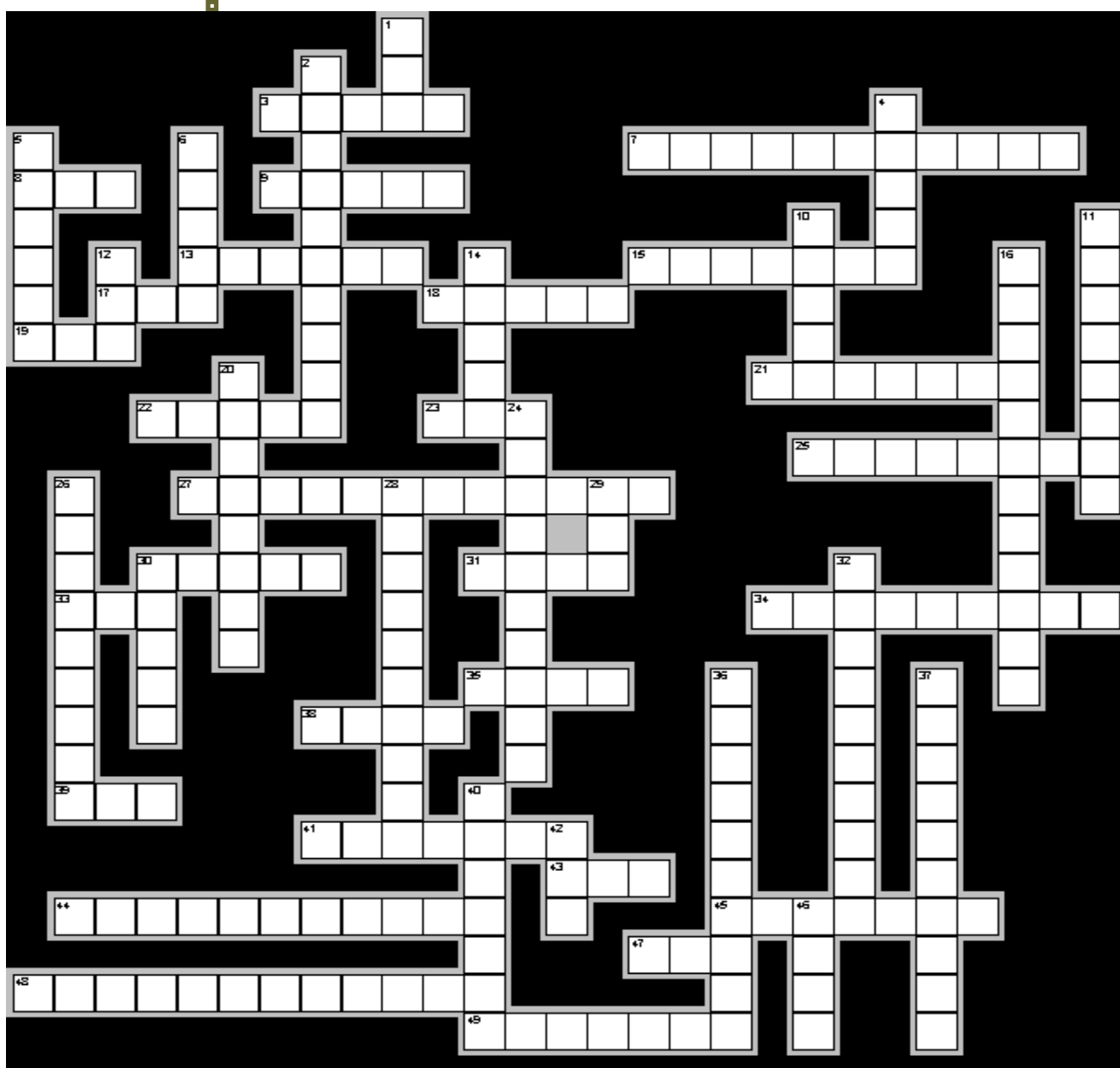
Finally, if you are unable

to get the answer you

need, contact the FHA

Resource Center at 1-

800-225-5342.



Across

3. shade loving landscaping plant
7. these are similar to the subject
8. Form for 2-4 appraisal, establishes viability (abbr.)
9. can, CFL or LED
13. exit
15. condition or median
17. FHA is a division of this organization
18. roof slope
19. size of a house (abbr.)
21. possible conditions of value
22. _____, current, clone
23. factor in calculating res.inc.val.
25. pertaining to a river bank or other body of water
27. protects from moisture (2 words)
30. established through agreement
31. Borrowers' _____, important criteria for HECM loans
33. appraisal designation
34. distance from subject to comparable
35. HVAC outlet
38. land parcels
39. system where sales reside
41. entrance
43. type of shade tree
44. dollar values in comparable sales grid
45. tenants are these
47. measure for 2-4 unit property (abbr.)
48. form required for some income property appraisals (2 Words)
49. attic access

Down

1. _____ lot, HOA amenity
2. wheelhouse (2 words)
4. Roof peak
5. regulatory exclusion from the bundle of rights
6. Distant, _____, Dissimilar
10. interval in a data set
11. not gla
12. mortgage insurer
14. vertical part of a stair step
16. principle that the lowest price of similar goods attracts the greatest demand
20. 3 most important in real estate
24. lenders are these
26. real estate tax based on property value (2 words)
28. balanced analysis technique
29. some dining areas
30. sidewalk material
32. borrowers are these
36. two or more parcels combined
37. most probable amount derived from leased comps (2 words)
40. Landlords are these
42. business as usual
46. floor or foundation of concrete